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1937

IN THE

Supreme Court of the United States

October Term, 1937

No. **1**

GENERAL TALKING PICTURES CORPORATION

Petitioner,

WESTERN ELECTRIC COMPANY, INC., BELL SYSTEM
PROPERTY AND AMERICAN TELEPHONE AND TELEGRAPH
COMPANY,

Respondents.

PETITION OF GENERAL TALKING PICTURES
CORPORATION FOR A WRIT OF HABEAS
CORPUS TO REMOVE FROM THE
DISTRICT COURT OF THE DISTRICT OF
COLUMBIA, AND FROM THE
FEDERAL CIRCUIT, AND FROM THE
SUPREME COURT, THE
WESTERN ELECTRIC COMPANY, INC., BELL
SYSTEM, PROPERTY AND AMERICAN
TELEPHONE AND TELEGRAPH COMPANY.

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2. Can a patent owner, merely by a "license notice" attached to a device made under the patent, and sold in the ordinary channels of trade, place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device?	
3. Can an inventor who has filed an application for patent showing and describing, <i>but not claiming</i> , certain inventions, obtain a valid patent for such inventions by voluntarily filing a "divisional" or "continuation" application for said unclaimed inventions more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee?	
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Supreme Court of the United States

October Term, 1937

GENERAL TALKING PICTURES CORPORATION,
Petitioner,

v.

WESTERN ELECTRIC COMPANY, INC., ELECTRICAL RESEARCH
PRODUCTS, AND AMERICAN TELEPHONE AND TELEGRAPH
COMPANY,
Respondents.

PETITION OF GENERAL TALKING PICTURES CORPORATION FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

*To the Honorable the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Your petitioner, General Talking Pictures Corporation, respectfully prays for a writ of certiorari to the Circuit Court of Appeals for the Second Circuit to review a judgment of that Court entered on July 26th, 1937. A transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with the Rules of this Court.

Summary and Short Statement of the Matter Involved.

1. The present suit constitutes a consolidation of a number of separate suits brought by the respondents for alleged infringement of seven patents.

2. All seven of the patents in suit are included in the pool of patents contributed to by respondents and the other large companies of the electrical industry, including Radio Corporation of America, General Electric Company, Westinghouse Electric and Manufacturing Company, Wireless Specialty Apparatus Company, etc., which pool of patent rights has become popularly known as "The Radio Trust".

By the pooling arrangement, Radio Corporation of America was vested with the sole authority to grant licenses, under all of the patents of the pool, to manufacturers engaged in the manufacture and sale of apparatus embodying the inventions of the respective patents of the pool.

Under this authority Radio Corporation of America granted to a number of apparatus manufacturers licenses under all of the patents in the pool, specifically including the patents in suit,

"to manufacture * * *, and to sell only for radio amateur reception, radio experimental reception, and radio broadcasting reception" (Vol. III, p. 1415).

One such manufacturer who acquired a license was known as American Transformer Company, which, under its license, manufactured and sold a piece of apparatus technically known as a vacuum tube amplifier (Vol. III, p. 1414).

3. Pursuant to the requirement of paragraph 5 of its license agreement (Vol. III, p. 1418), the American Trans-

former Company attached to each of its amplifiers a plate or label bearing the legend

*"License Notice—This apparatus is licensed only for radio amateur experimental and broadcasting reception under the following patents of the Radio Corporation of America and associated companies."**

4. Petitioner, over a considerable period of time, and in the ordinary course of its business, purchased many hundreds of the amplifiers from the American Transformer Company with this "License Notice" attached thereto, and proceeded to employ them in talking motion picture projection equipment, being engaged solely in the business of making and leasing talking motion picture equipment. The American Transformer Company received its price for the amplifiers, and paid its royalties to the Radio Corporation of America therefor under its license agreement with that company, reporting to the Radio Corporation of America the sales of the amplifiers made to petitioner. Petitioner was well known to Radio Corporation of America, as was the fact that its business was confined exclusively to the making and leasing of talking motion picture equipment.

5. Thereafter the present suit was instituted against petitioner by respondents charging infringement of the seven patents in suit under which the amplifiers were manufactured and sold under license by the American Transformer Company, because the use to which petitioner put the amplifiers was outside the alleged "licensed" use specified in the "License Notice" attached to the apparatus. In other words, although tribute to the patents had been paid by the licensee, the patent owner, by a "notice" attached

* The patents in suit were included in the patents to which the "License Notice" applied.

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to the apparatus, sought to retain control over the use to which the amplifiers bought in the usual channels of trade and paid for, was subsequently put by the purchaser thereof.

6. More than a year thereafter Radio Corporation of America returned to the American Transformer Company the royalties paid by the American Transformer Company on the amplifiers sold petitioner, although throughout that period it was aware not only of the sale of the amplifiers to petitioner, but also of the use to which petitioner put them (Vol. III, pp. 1568-1614).

7. With reference to the merits of the patents, five of the seven patents in suit issued to an inventor named Arnold. The application for each of the Arnold patents was filed more than two years subsequent to the widely publicized commercial use of the inventions thereof by American Telephone and Telegraph Company, in the first transcontinental telephone line between New York and San Francisco in January, 1915. The inventions of the Arnold patents have been used continuously in the transcontinental telephone line since that time (Vol. I, p. 102, fol. 305). Each of the Arnold patents purports to be either a "division" or a "continuation in part" of an application for patent filed by Arnold in September, 1915, but the divisional and "continuation" applications were not filed at the request of or required by the Patent Office, and the inventions defined by the claims thereof were at no time claimed in the parent applications. In other words, though the inventions of the Arnold patents were shown and described in an Arnold application filed within two years of January, 1915, *no claim was ever made for the inventions constituting the subject matter of the five patents in suit as issued until more than two years subsequent to the widely*

publicized commercial use of these inventions by the American Telephone and Telegraph Company.

Specifically, *Arnold Patent No. 1,329,288* issued on an application filed July 30, 1918—*three years and six months after respondent's commercial use* (Vol. II, p. 628).

Arnold Patent No. 1,403,475 issued on an application filed November 11, 1920—*five years and ten months subsequent to respondent's commercial use* (Vol. II, p. 637).

Arnold Patent No. 1,448,550 issued on an application filed February 3, 1919—*four years and one month subsequent to respondent's commercial use* (Vol. II, p. 641).

Arnold Patent No. 1,465,332 issued on an application filed August 28, 1920—*five years and seven months subsequent to respondent's commercial use* (Vol. II, p. 644).

Arnold Patent No. 1,520,994 issued on an application filed March 28, 1919—*four years and two months subsequent to respondent's commercial use* (Vol. II, p. 647).

It will thus be seen that by these series of applications, all filed more than two years, and several of them nearly six years subsequent to commercial use of the inventions disclosed thereby, respondents have succeeded in extending the patent monopoly for the inventions far beyond the seven-teen years contemplated by the statute.

Questions Presented.

1. Can the owner of a patent, by means thereof, restrict the use made of a device manufactured under the patent, after the device has passed into the hands of a purchaser in the ordinary channels of trade, and full consideration paid therefor?

2. Can a patent owner, merely by a "license notice" attached to a device made under the patent, and sold in the

ordinary channels of trade, place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device?

3. Can an inventor who has filed an application for patent, showing and describing *but not claiming* certain inventions, obtain a valid patent for said inventions by voluntarily filing a "divisional" or "continuation" application for said unclaimed inventions more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee?

The Opinion of the Court of Appeals Below.

The Court of Appeals for the Second Circuit answered all three of the questions in the affirmative. With respect to the first and second questions, the Court of Appeals disregarded the numerous decisions of this Court on closely analogous questions* with the statement that the holdings of those cases are not necessarily controlling on the point here in issue (Vol. III, p. 1728). The pertinent statements of this Court in the *Boston Store Case* (246 U. S. 8) and in the *General Electric Case* (272 U. S. 476) were characterized as "obiter" (Vol. III, p. 1729); and the Court of Appeals concluded its opinion on this subject with the statement (Vol. III, p. 1729):

"This Circuit recognized that the patentee may extend his monopoly beyond a sale by a licensee."

* *Motion Pictures Patents Co. v. Universal*, 243 U. S. 502; *Bauer v. O'Donnell*, 229 U. S. 1; *Strauss v. Victor Talking Machine Co.*, 243 U. S. 490; *Boston Store v. American*, 246 U. S. 8; *United States v. General Electric Co.*, 272 U. S. 476.

With respect to the third question above presented, the Court of Appeals predicated its affirmative decision upon a distinction between an inventor (and his assignee or licensee) and all other members of the public, holding that if a public use of the invention of the patent occurred by the defendant in the litigation or by any other member of the public more than two years prior to the application for the divisional application, the patent is invalid under Section 4886 R. S.; but, if such public use was by the inventor-applicant (or his assignee or licensee), the statute is inapplicable (Vol. III, p. 1726).


Reasons Relied Upon for the Grant of a Writ of Certiorari.

The discretionary power of this Court is invoked upon the following grounds:

1. The Circuit Court of Appeals for the Second Circuit has decided important questions of Federal Law in a manner which is believed to be untenable and in direct conflict with the applicable decisions of this Court.
2. The Circuit Court of Appeals for the Second Circuit has decided important questions of Federal Law in a manner which, unless corrected, will extend the monopoly of patent rights beyond the limits prescribed by the statute.
3. The Circuit Court of Appeals for the Second Circuit has decided important questions of Federal Law in a manner which makes it possible, under the Patent Statutes, to impose restrictions upon and control of the use of chattels acquired in fee simple by the purchasing public.

4. The Circuit Court of Appeals for the Second Circuit has decided, in a manner which is believed to be untenable, an important question of Federal Law which has not heretofore been specifically passed upon by this Court.
5. The Circuit Court of Appeals for the Second Circuit has decided important questions of Federal Law the effect of which is of great public importance and interest.

WHEREFORE your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of this Court directed to the United States Circuit Court of Appeals for the Second Judicial Circuit, sitting at New York, New York, commanding said Court to certify and send to this Court, on a day to be designated, a full transcript of the record and all proceedings of the Court of Appeals had in this case, to the end that this case may be reviewed and determined by this Court; that the judgment of the Court of Appeals for the Second Circuit be reversed, and that petitioner be granted such other and further relief as may seem proper.

 SAMUEL E. DARBY, JR.,
Attorney for Petitioner.

EPHRAIM BERLINER,
Of Counsel.

Dated: New York, N. Y.
August 26th, 1937.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

The Opinions of the Court Below.

The opinion of the Circuit Court of Appeals for the Second Circuit is unreported, but is reproduced in the records filed herein (Vol. III, p. 1712 *et seq.*).

The opinion of the District Court is reported in 16 Fed. Supp. 293 (Rec. Vol. III, p. 1618).

Jurisdiction.

The grounds of jurisdiction are:

- (1) The date of the judgment to be reviewed is July 26, 1937.
- (2) The judgment was rendered in a suit in equity brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention issued by virtue of Section 4886 R. S.
- (3) The statute under which the jurisdiction is invoked is 240-A of the Judicial Code, 28 U. S. C. 347, as amended by the Act of February 13, 1925.
- (4) Cases believed to sustain the jurisdiction are:

Motion Picture Patents Co. v. Universal Film Co.,

243 U. S. 502, 37 S. Ct. 416; 61 L. Ed. 871;

Carbice Corp. v. American Patents Development

Corp., 283 U. S. 27; 51 S. Ct. 344; 75 L. Ed. 819.

Statement.

The facts are sufficiently stated in the petition.

Statutes.

The section of the statute which is necessary to be considered in connection with the third question presented is R. S. 4886, reading as follows:

"Sec. 4886. Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than two years prior to his application, and not in public use or on sale in this country for more than two years prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor."

Specification of Errors.

The errors which petitioner will urge, if the writ of certiorari is allowed, are that the Circuit Court of Appeals for the Second Circuit erred:

- (1) In holding, in effect, that the owner of a patent can, by means of the patent, restrict the use made of a device manufactured under a patent after the device has passed into the hands of a purchaser in the ordinary channels of trade, and full consideration paid therefor.
- (2) In holding, in effect, that a patent owner, merely by a "license notice" attached to a device made under the

patent and sold in the ordinary channels of trade, can place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device.

- (3) In holding, in effect, that an inventor who has filed an application for patent showing and describing but not claiming certain inventions, can, more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee, file application for and obtain a valid patent for said inventions.
- (4) In failing to hold that by the acceptance and retention, by plaintiffs-respondents' authorized agent, of the royalties paid by the licensed manufacturer of the alleged infringing devices, plaintiffs-respondents were barred, under the equitable principles of acquiescence and estoppel, from maintaining this suit.
- (5) In failing to hold that each of the patents in suit is invalid as anticipated by or wanting of invention over prior patents in the art.
- (6) In failing to reverse the decree of the District Court and to order the dismissal of the bill of complaint in the case.

Summary of Argument.

The points of the argument follow the questions presented, and are stated in the index hereto. For the sake of brevity they are omitted at this point.

ARGUMENT.

POINT I.

The owner of a patent cannot, by means of the patent, restrict the use made of a device manufactured under the patent after the device has passed into the hands of a purchaser in the ordinary channels of trade and full consideration paid therefor.

The Court of Appeals for the Second Circuit expressly held (Vol. III, p. 1729):

"the patentee may extend his monopoly beyond a sale by a licensee."

Thus, its decision is to the effect that a patentee may, by means of the patent, maintain a control over the patented article after it has been sold to a purchaser and the full consideration paid therefor, and hold the purchaser as an infringer if the patented article is used in a manner other than that prescribed by a mere "notice" attached to the article when sold. If this decision is sound, the owner of a patent for an ordinary pocket cigarette lighter can attach a notice to the lighter (sold across the counter in any retail cigar store) to the effect that the lighter is licensed for use only for lighting cigarettes, and successfully maintain a suit for infringement against the purchaser of such a lighter if it is used for lighting cigars. The absurdity of the logical and practical consequences of the decision of the Court of Appeals in the case at bar will thus be seen.

The Court of Appeals apparently predicated its decision on the fact that this Court had not heretofore specifically passed upon an attempt to restrict the use of the

patented device after its sale, notwithstanding the fact that this Court, in a long line of decisions, has emphatically rejected every other attempted restriction for reasons equally as applicable to a restriction on *use*.

Every attempted restriction on a patented device after it had been sold, by means of the patent under which it was made, has heretofore been invalidated by this Court on the ground that a sale exhausts the monopoly of the patent owner as to the particular article involved. Thus, in *Bloomer v. McQuewan*, 14 How. 539, 55 U. S. 539, dealing with an attempted restriction on the *time of enjoyment*, this Court, speaking through Chief Justice TANEY, said:

“ * * * the purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee. * * * *And when the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly.*”

Also, with respect to an attempted restriction on the *place of use*, this Court said in *Adams v. Burke*, 84 U. S. 453, 459:

“But, in the essential nature of things, when the patentee or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article, in the language of the Court, passes without the limit of the monopoly.”

(See also this Court's later decision in *Hobbie v. Jennison*, 149 U. S. 355, where an unsuccessful effort was made to limit the foregoing decision.)

*Italics in this brief are ours.

Later, this Court, reviewing its decision in *Adams v. Burke* and *Hobbie v. Jennison*, said, in *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659 at pages 666-667:

"Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place . . .

"The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute. The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration."

To the same effect are the cases on attempted restrictions as to *resale prices*. Thus, in *Bauer v. O'Donnell*, 229 U. S. 1, 17, this Court said:

"The right to vend, conferred by the patent law has been exercised, and the added restriction is beyond the protection and purpose of the act. This being so, the case is brought within that line of cases in which this court from the beginning has held that a patentee who has parted with a patented machine by passing title to a purchaser has placed the article beyond the limits of the monopoly secured by the patent act."

Some years later this Court summarized its prior decision in *Bauer v. O'Donnell* in words strikingly apposite now, in the case of *Boston Store of Chicago v. American Graphophone Co.*, 246 U. S. 8, 23:

"In other words, the decision was that a patentee could not use and exhaust the right to sell, as to which a monopoly was given him by the patent law, and yet by conditions and stipulations continue that

law in effect so as to make it govern things which, by his voluntary act were beyond its scope. And * * * as a result, where an article has been sold and passed beyond the monopoly given by the patent law, remedies on the theory of infringement were not applicable to acts done which could not have that character * * *."

In the same case this Court continued (p. 25):

"Reiterating the ruling in the two last cases (referring to *Bauer v. O'Donnell* and *Strauss v. Victor Talking Machine Co.*) it was again decided (in the *Motion Picture Patents* case) that, as by virtue of the patent law, one who had sold a patented machine and received the price, and had thus placed the machine so sold beyond the confines of the patent law, could not by qualifying restrictions as to its use, keep under the patent monopoly a subject to which the monopoly no longer applied."

Finally, in the case of *United States v. General Electric Company*, 272 U. S. 476, this Court said at page 489:

"It is well settled, as already said, that where a patentee makes the patented article and sells it, he can exercise no future control over what the purchaser may wish to do with the article after his purchase. It has passed beyond the scope of the patentee's rights."

The foregoing decisions of this Court show a consistency in ruling which is outstanding in the respect that it has not been departed from or modified, regardless of the guise in which attempted restrictions have been presented.

The fundamental reason underlying all of the decisions appears to be the simple fact that this Court recognized and gave full effect to the fact that when the patented article was sold and the price paid, the article was forever

outside of the monopoly of the patent, and became, like any ordinary chattel, owned in fee simple by the purchaser, to be used or done with as he saw fit, without hindrance by or under the control of the patent owner.

The Court of Appeals for the Second Circuit disposed of these authorities with the statement that the decisions were not controlling on the point here presented because a different *type* of restriction was being attempted. The direct and deliberately comprehensive statements of this Court in its decisions in the *Boston Store* and *General Electric* cases were swept aside by the Court of Appeals as mere *obiter*.

It is believed, that for the reasons which this Court so clearly set forth in all of its decisions above enumerated, the decision of the Court of Appeals below was in error, and this Court should grant a writ of certiorari and review this case to prevent the decision of the Court of Appeals from establishing a precedent in the Second Circuit so wholly inconsistent with the decisions of this Court in all of the foregoing cases, and the sound fundamental principle upon which they were based.

POINT II.

A patent owner cannot, merely by a "License Notice" attached to a device made under the patent, and sold in the ordinary channels of trade, place an enforceable restriction upon the purchaser thereof as to the use to which the purchaser may put the device.

In *Strauss v. Victor Talking Machine Co.*, 243 U. S. 490, this Court was called upon to decide the legal effect of a "License Notice" affixed to a patented machine. The Victor Company manufactured phonographs and dis-

tributed them under license contracts, reserving title to the machine until expiration of its patent and compliance with conditions on a "License Notice". This license authorized dealers to convey a license to use the machine upon a minimum payment of \$200. The defendant bought a quantity of the machines at less than the fixed price stated in the "License Notice". The Victor Company sought to enjoin this alleged infringement by preventing the defendant from selling them, presumably at lower prices.

This Court, in dismissing the bill for infringement, held the "Notice" invalid, and the full purport of its holding was later summarized in the following language in *Boston Store of Chicago v. American Graphophone Co.*, 246 U. S. 8, 24:

"Basing its action upon the substance of things, and disregarding mere forms of expression as to license, etc., the Court held that the contract was obviously . . . not different from the one which had come under review in *Bauer v. O'Donnell*. Thus brushing away disguises resulting from forms of expression in the contract, and considering it in the light of the patent law, it was held that the attempt to regulate the future price or the future marketing of the patented article was not within the monopoly granted by the patent law . . ."

Again, in *Motion Picture Patents v. Universal Film*, 243 U. S. 502, this Court had presented to it two closely analogous questions—(1) whether a patentee who licenses the manufacture and sale of the patented device can, by a mere notice attached to the article, limit the purchaser to films which were not part of the patented machines, and, (2) whether the patentee, by a mere notice so attached, can reserve conditions to be fixed in the future.

Both questions were answered in the negative by this Court. It was held that nothing in the patent statutes provided for such notice and that "it can derive no aid from them" (p. 509). This Court thereupon proceeded to hold that the exclusive right to use is no greater than the exclusive right to vend, and that

"* * * it is not competent for the owner of the patent by notice attached to its machine to, in effect, extend the scope of its patent monopoly by restricting the use of it to materials necessary in its operation" (p. 516).

Of course, there is no distinction in principle between attempting to restrict the materials to be used by an attached "License Notice", and attempting to restrict the use of the device itself. Both of the attempted restrictions consist of nothing more or less than attempts on the part of the patent owner to "extend the scope of its patent monopoly" in a manner neither contemplated nor permitted by the patent statutes.

The only distinction that exists between the decisions of this Court in the *Strauss* case and the *Motion Picture Patent* case, on the one hand, and the case at bar, is in the character of the restrictions sought to be effected by the "License Notice" attached to the goods sold. Because of the fact that the Court of Appeals differentiates the cases in this fashion when there is and should be no distinction between them, renders it necessary for this Court to clarify the situation by a decisive holding, as was apparently intended, that no valid restriction on the use of a patented article purchased from the patentee or his licensee; and the price paid therefor, can be effected by a mere "License Notice" attached to that article.

POINT III.

An inventor who has filed an application for patent showing and describing, but not claiming, certain inventions cannot obtain a valid patent for said inventions by voluntarily filing a "divisional" or "continuation" application for said unclaimed inventions more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee.

The present case presents a most glaring instance of an attempt to extend a patent monopoly many years beyond the seventeen years contemplated by the statute. Thus, the Arnold inventions were in public use in January, 1915. In September of 1915 application for patent was filed in which all of the inventions here involved were shown and described, but were not claimed. Then, at periods ranging from three years and six months to five years and ten months subsequent to the widely publicized commercial use of the inventions, *new applications for patent were filed for the first time claiming the unclaimed inventions disclosed in the original application.* These new applications were characterized as "divisional" or "continuation" cases — *but all of them were filed voluntarily by the patentee, and none of them at the request of or requirement by the Patent Office.*

Under Section 4886 of the revised statutes a valid patent may issue to an inventor only if the claimed invention—

"was not in public use or on sale in this country for more than two years prior to his application".

We are not here concerned with whether or not the term "his application" refers to the parent application or the divisional application, because it obviously refers to his application for patent for the invention in question, and it never has been disputed by respondents that the first time claim was made for the inventions forming the subject matter of the patents in suit was when the alleged "divisional" or "continuation" applications were filed.

This Court, in *Webster Electric Co. v. Splittorf*, 264 U. S. 463 stated (p. 472):

"Our conclusion, therefore, is that, in cases involving laches, equitable estoppel, or intervening private or public rights, the two year time limit prima facie applies to divisional applications, and can only be avoided by proof of special circumstances justifying a longer delay."

The intervening public rights to the unclaimed Arnold inventions precluded the validity of the five Arnold patents in suit on "divisional" or "continuation" applications, each of which was filed more than two years subsequent to the original application on which they purported to be based, as well as more than two years subsequent to the public use of the inventions in the transcontinental telephone lines. *And it is to be noted that respondents in the present record offered no excuse or explanation for the lapse of the intervening years in filing the applications.*

Moreover, the Court of Appeals below noted two of its own decisions—that of *Western Electric & Manufacturing Co. v. Jeffrey DeWitt Insulator Co.*, 22 Fed. (2d) 277 and *Crown Cork & Seal Co. v. Ferdinand Guttman*, 86 Fed. (2d) 698, both of which were predicated upon this Court's decisions in the *Webster* case, and in *Chapman v. Wintroath*, 252 U. S. 126.

In the *Jeffrey* case the Court of Appeals held that the defendant's manufacture and sale of the infringing device more than two years prior to the filing of the divisional application for the patent in suit (but subsequent to the filing of the application for the parent patent) constituted a statutory bar, under Section 4886, to the validity of the patent which issued on the divisional application. The Court said, in unequivocal language:

"Since it has been clearly established that the sale was made two years prior to the filing of the divisional application, and no excuse given for such delay, the patent must be held to be invalid by reason of Section 4886 of the Revised Statute."

In the *Crown Cork & Seal* case the same Court held that a patent which issued on a divisional application was invalid because it was not filed until more than two years subsequent to the publication of the invention by a third party (in the form of a patent). This decision was again predicated on the provisions of Section 4886 of the Revised Statute.

Thus, though the Court of Appeals below has held that the provisions of Section 4886 of the Revised Statute constituted a statutory bar to the validity of a patent issued on a divisional application filed more than two years subsequent to the use and sale by a defendant, or publication by a third party, *it holds in the present case that the statute is not applicable to the patentee or his assignee or licensee.*

Of course, the statute draws no distinction whatever between the patentee or his assignee and any other member of the public, and no distinction in fact or in reason exists. Apparently, the Court of Appeals lost sight of the intervening public rights to which this Court referred in the *Webster* case, and petitioner, as a member of the public,

was entitled to exercise those rights without hindrance from respondents by means of the obviously invalid patents, the applications for which were deferred, without excuse or explanation, for from three to nearly six years subsequent to the widely publicized commercial use of the inventions claimed thereby.

We are not unmindful of the fact that the Court of Appeals in its opinion (Vol. III, p. 1727) implies, through the medium of a quotation of its decision in the *Crown Cork & Seal* case, that the *parent* or original Arnold application, throughout the intervening years between the public use of the inventions now patented and the divisional or continuational applications for patent therefor, contained "broader claims" the allowance of which was being solicited. Even if this fact were relevant (and we submit it is not) *there is no factual support for the inference and no assertion to that effect has ever been made, either in the record, the briefs, or in oral argument, by counsel for respondents.*

Obviously, the decision of the Court-below establishes an erroneous precedent which should be speedily corrected by this Court by a review of this case.

POINT IV.

The questions here presented are of great public importance.

—This Court judicially recognized the great importance to the public of any restrictions attaching to patented chattels acquired by purchase when it said, in invalidating the attempted restriction in *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659 (at pp. 666, 667):

"The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration."

Moreover, it will be noted that this litigation is concerned with talking motion picture equipment. In consequence the same industry is involved as was involved in the *Motion Picture Patents* case, 243 U. S. 502, wherein this Court invalidated another attempted restriction on a patented device after its sale. There again judicial recognition was given not only to the public importance of such attempted restrictions, but the importance to the public of the industry involved as well, when it said (p. 519):

"A restriction which would give to the plaintiff such a potential power for evil over an industry which must be recognized as an important element in the amusement life of the nation, under the conclusions we have stated in this opinion, is plainly void, because wholly without the scope and purpose of our patent laws, and because, if sustained, it would be gravely injurious to that public interest, which we have seen is more a favorite of the law than is the promotion of private fortunes."

In addition, it should be noted that these respondents have already been found to have established and maintained an illegal monopoly in the talking motion picture industry in violation of the anti-trust laws (see *Stanley Company of America Inc. v. American Telephone & Telegraph Company et al.*, *General Talking Pictures Corp. v. Same*, *Duovac Radio Corporation v. Same*, preliminary injunction granted, 4 Fed. Supp. 80; on final hearing, 18 Fed. Supp. 650).

It is believed to be too clear to require further comment that the importance to the public of the questions here pre-

sented, as well as the importance to the public of the industry involved, are such as to alone warrant the allowance of a writ of certiorari in this case.

Likewise, it is, of course, of vital public importance to know whether or not public rights can be vitiated at the will of a patentee, as well as whether the statutory prerequisites to the validity of a patent under Section 4886 of the Revised Statutes apply to the patentee and his assignee or licensee as well as to the rest of the public.

Conclusion.

From the foregoing it appears that the Circuit Court of Appeals for the Second Circuit has rendered a decision which is in apparent conflict with controlling decisions of this Court, and which has seriously prejudiced the rights of petitioner.

Wherefore petitioner earnestly prays that the petition for writ of certiorari be granted, the cause reviewed, and the decree of the Court of Appeals reversed.

Respectfully submitted,

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Dated: August 26th, 1937.

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